

DIRECTIVE

WELFARE-TO-WORK

Number: WD00-2

Date: February 29, 2000
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TO: SERVICE DELIVERY AREA ADMINISTRATORS
PRIVATE INDUSTRY COUNCIL CHAIRPERSONS
WELFARE-TO-WORK 15 PERCENT SUBGRANTEES
DOL WELFARE-TO-WORK 25 PERCENT SUBGRANTEES
COUNTY WELFARE DEPARTMENT DIRECTORS
CALIFORNIA DEPARTMENT OF SOCIAL SERVICES
EDD EXECUTIVE STAFF
WORKFORCE DEVELOPMENT BRANCH STAFF

SUBJECT: PROGRAM INCOME

EXECUTIVE SUMMARY:

Purpose:

This directive provides guidance on the federal requirements regarding Welfare-to-Work (WtW) program income.

Scope:

This directive requires that entities receiving WtW Grant program funds, including Service Delivery Areas (SDA), subrecipients, and subgrantees, comply with federal regulations regarding program income.

Effective Date:

This directive is effective upon release.

REFERENCES:

- Title 20 Code of Federal Regulations (CFR) Section 645.230(a)(5), WtW Grants Interim Rule
- Title 29 CFR Section 95.22(k)
- Office of Management and Budget Circulars (OMB) A-102 and A-110
- WtW Directive WD99-11, Subject: Cash Management for 15 Percent Grantees (November 15, 1999)

STATE-IMPOSED REQUIREMENTS:

This directive contains only federal requirements.

FILING INSTRUCTIONS:

This directive finalizes WtW Draft Directive WDD-14 issued for comment on December 16, 1999. Retain this directive until further notice.

BACKGROUND:

The WtW Grants Interim Rule, Title 20 CFR Section 645.230(a)(5) states that the addition method shall be required for the use of all program income earned under WtW grants. The cost of generating program income shall be subtracted from the amount earned to establish the amount of program income available for use under the grant. The SDAs and their subrecipients should note that this requirement is different from the Job Training Partnership Act that permits other methods of accounting for program income. The treatment of interest is also different. Under OMB circulars A-102 and A-110, and Title 29 CFR Section 95.22(k), interest is not program income and must be returned less the allowable amount for administrative purposes. Guidance for this process is contained in WtW Directive WD99-11, Cash Management for 15 Percent Grantees.

POLICY AND PROCEDURES:

Definitions:

For this directive, subrecipient means SDAs, their successor entities, their subrecipients, subgrantees, and lower-tier subgrantees.

Program income means gross income earned by the recipient that is directly generated by a supported activity or earned as a result of the award. Program income includes, but is not limited to, income from fees for services performed, the use or rental of personal property acquired under federally funded projects, the sale of commodities or items fabricated under an award, and license fees and royalties on patents and copyrights. Interest earned on advances of federal funds is not program income. Except as otherwise provided in federal awarding agency regulations or the terms and conditions of the award, program income does not include the receipt of rebates, credits, discounts, etc., or interest earned on any of them.

Policy:

Under the addition method, the subrecipient tracks the program income generated, subtracting the cost of generating the income, then the resulting net program income is added to the WtW allocation or grant amount, but is not added to the formal grant agreement. The program income becomes part of total funding available to support the project. At the end of the contract, any unexpended funds are treated as a reduction in federal expenditures and the excess federal funds are returned at that time. The excess is returned to the federal government via the subrecipient and the state.

The cash-on-hand from program income must be liquidated before requesting additional cash.

Allowable expenditures for program income are the same as those for the grant. The administrative cost limit does not apply to program income. The net earned program income and the amount expended are reported on the quarterly financial report forms. The administrative cost limit for the program is calculated based upon the total allocation or grant amount, not upon the amount available for expenditure that includes any program income.

ACTION:

Bring this directive to the attention of all affected staff.

INQUIRIES:

Please direct inquiries about this directive to your assigned program manager, at (916) 654-7799 or Jean Cole, Policy Unit, at (916) 654-8284.

/S/ BILL BURKE
Assistant Deputy Director